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SIPDIS

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SUBJECT: NETHERLANDS 2003 INVESTMENT CLIMATE STATEMENT

REF: STATE 128494

¶1. Attached we transmit the text of the 2003 investment climate statement for the Netherlands. This update corresponds with chapter VII in the FY 2003 Country Commercial Guide. The full text of the ICS has also been transmitted by e-mail to EUR/IFD/OIA for the attention of
Neil Feird and Ann McConnell July 24, 2003. For additional information on the Netherlands ICS please contact Jan Razoux Schultz in Embassy The Hague's Economic Section at telephone number 00 31 70 310 92 76,or by e-mail at razouxje@state.gov.

A.1. Openness to Foreign Investment

¶2. The Netherlands' trade and investment policy is among the most open in the world. With combined merchandise exports and imports accounting for more than two-thirds of GDP, the Dutch economy is one of the most internationally oriented. The Netherlands remains among the world's largest suppliers of investment capital and currently ranks number six among the world's ten largest foreign investors (third if FDI is related to GDP). The Netherlands also ranks number six among global recipients of FDI. The Dutch government maintains liberal policies toward foreign direct investment, and adheres to the OECD investment codes.

¶3. The only Dutch exception to the principle of national treatment is in air transport. Nationality and ownership requirements apply for licenses to operate an airline, and the right to cabotage is reserved to national carriers. With the exception of a few public and private monopolies from which foreign and domestic private investment is banned (the Netherlands central bank, Netherlands railways, national airport Amsterdam Schiphol, national carrier KLM, and public broadcasting) foreign firms are able to invest in any sector and are entitled under the law to equal treatment with domestic firms.

¶4. European Union reciprocity provisions in banking and investment services and in a few other areas bind the Dutch. Provisions related to government incentives, national rules of incorporation, and access to the capital market are all administered on a non-discriminatory basis. Business laws and regulations are in accordance with international legal practices and standards and apply equally to foreign and Dutch companies.

¶5. Structural and regulatory reforms have long been an integral part of a major reorientation of Dutch economic policy. Product market competition is strengthened by way of programs aimed at strengthening market forces, deregulation and legislative quality combined with tightening of competition policy. The government has reduced its role in the economy by introducing market forces in formerly public utilities sectors. While the gas and electricity sectors are gradually being opened up to foreign competition, government-controlled entities retain dominant positions in rail transport and water sector and continue to play a large role in aviation and in telecommunications.

¶6. Despite relatively high Dutch labor costs and labor market imperfections (complex labor laws resulting in restrictive hiring and firing practices for employers), foreign investors have found the Netherlands a favorable location for their European investment projects. The Dutch actively solicit foreign investment through the Netherlands Foreign Investment Agency (NFIA), and related regional economic development companies. Approximately 30 percent of total FDI in the European Union is directed towards the Netherlands. Foreign direct investment is concentrated

in growth areas including information technology, biotechnology, medical technology and food processing. Investment projects are predominantly in contract manufacturing (high-tech assembly), distribution, and value-added logistics. Ernst & Young's international annual benchmark studies identify the Netherlands as one of four most popular locations for foreign ICT in Europe, while also ranking the Dutch biotechnology sector among Europe's elite.

¶7. The Netherlands also ranks among the countries in Europe with the largest number of broadband connections and the highest internet penetration in the European Union. According to the Economic Intelligence Unit (EIU) e-commerce readiness survey, the Netherlands ranks third in the world due to continued rollout of broadband services, internet related legislation and government programs. The government will shortly embark on a broadband action program aimed at creating the regulatory framework that will stimulate and facilitate broadband development.

¶8. The Netherlands is particularly attractive for the establishment of European headquarters, European distribution centers, call centers and shared services centers. Investment surveys indicate that U.S. investors in particular favor the Netherlands as a location for European Distribution Centers (EDCs). An estimated 60 percent of U.S. companies in Europe have located their EDCS in the Netherlands. Following the introduction in 1997 of a more friendly tax regime, the number of European headquarters established in the Netherlands has also increased sharply to nearly ninety in 2002. A special Corporate Financing Arrangement (CFA) allows European headquarters established in the Netherlands to set aside eighty percent of intra-company financing into a tax-free reserve, thereby reducing the effective corporate tax rate to seven percent from a normal rate of 34.5 percent.

¶9. Foreign investors find the Netherlands attractive because of the country's stable political and macroeconomic climate, a highly developed financial sector, the presence of a well educated, and productive labor force, and the high quality of Dutch physical and communications infrastructure. The Netherlands ranks among the world's most internationally oriented countries, second only to Singapore.

¶10. Various international surveys rank the Netherlands among the top ten countries in the industrialized world with the most competitive economies and most favorable business and investment climate. The 2003 World Competitive Survey by the Swiss-based Institute for Management Development (IMD) ranked the Netherlands eighth among the world's most competitive (smaller) economies. The Economist Intelligence Unit's (EIU) 2003 survey of the global business environment singled out the Netherlands as the country with the most favorable business climate for the period 2003-2007, due to its political stability and effectiveness, policy towards investment and the availability of finance. Finally, a recent OECD study cites the Netherlands among countries offering the best environment for direct investment.

¶11. The Netherlands is also known for its favorable fiscal climate. Precise tax guidance given to foreign investors provides transparency with regard to long-term tax obligations. A recent Forbes global tax burden survey ranked the Netherlands relatively favorably with regard to the overall tax burden as well as the marginal tax rate.

¶12. Despite predominantly favorable business and investment conditions, other international organizations, including the World Economic Forum, flag a sharp erosion of the competitive position as a major challenge confronting the Netherlands. More specifically, relatively high wage cost, growing imperfections in the road infrastructure, and a less than flexible labor market are sited as potential bottlenecks in attracting foreign direct investment to the Netherlands.

¶13. Deterioration of the fiscal climate due to sharper tax competition among EU Member States and measures by the European Commission aimed against national tax incentives with a subsidy element is likely to also affect the Dutch competitive environment. To this end, the CFA corporate financing arrangement will be abolished in January of 2004 as a state subsidy harmful to EU tax competition.

¶14. There are no apparent foreign investment screening mechanisms and 100 percent foreign ownership is permitted in those sectors open to foreign investment.

The rules on acquisition, mergers, takeovers, and reinvestment are nondiscriminatory. All firms must conform to certain rules of conduct on mergers and takeovers. The Social Economic Council (SER), an official advisory body composed of representatives of government, business and labor, administers Dutch merger and takeover rules. SER rules are intended, first and foremost, to protect the interests of stakeholders and employees. They include requirements for timely announcement of merger and takeover plans and for discussions with trade unions. A survey among European companies by Heidrick & Struggles ranks the Netherlands second after the United Kingdom for its transparency of corporate governance practices. Despite the supposedly open policy, elaborate corporate protective measures against hostile takeovers may de facto block acquisitions or takeovers by Dutch and foreign investors. A draft corporate governance code of conduct that seeks to improve transparency in shareholder/management relations as well as structure and accountability of management, was introduced in July 2003. The code of conduct, providing for a marginal reduction of takeover defenses, will become effective as of January 1, 2004.

¶15. The Netherlands maintains no preferential or discriminatory export or import policies with the exception of those that result from its membership in the European Union. The Dutch also abide by all internationally agreed strategic trade controls,(e.g. the Wassenaar Agreement). In summary, Dutch domestic restrictions on foreign investment remain minimal and no new ones are being planned. The Dutch investment climate should continue as it is, but will increasingly be influenced by EU policies.

A.2. Conversion and Transfer Policies

¶16. There are no restrictions on the conversion or repatriation of capital and earnings (including branch profits, dividends, interest, royalties), or management and technical service fees, with the exception of the nominal exchange license requirement for non-resident firms.

A.3. Expropriation and Compensation

¶17. The Netherlands maintains strong protection on all types of property, including private property, and the right of citizens to own and use property. Expropriation would only take place in the public interest and with adequate compensation. We have no reason to believe that it would be undertaken in a discriminatory manner or in violation of established principles of international law. The embassy is unaware of any recent expropriation claims involving the Dutch government and U.S. or other foreign-owned property.

A.4. Dispute Settlement

¶18. The embassy is not aware of any investment dispute involving the Dutch government and U.S. or other foreign companies. The Netherlands is a signatory to the International Convention on Investment Disputes and a member of the International Center for the Settlement of Investment Disputes (ICSID). Although the central government has no rules regarding withdrawals of investment, occasionally trade unions go to court over company closures. This has occurred in the case of both domestic and foreign-owned firms.

A.5 Performance Requirements/Incentives

¶19. There are no trade-related investment performance requirements in the Netherlands. General requirements to qualify for investment subsidy schemes apply equally to domestic and foreign investors. There are no requirements for employment of local capital or managerial personnel. However, in practice almost all chief executives of major U.S. subsidiaries in the Netherlands are Dutch or other EU nationals, because skilled managers are available at a cost less than that of posting an American abroad. In the case of staff personnel, however, Dutch nationals must be employed unless firms can demonstrate that a Dutch national cannot perform the job in question. This burden is eased by an existing provision that prior employment with the firm of at least two and a half years amounts to a presumption of unique qualifications for the job.

¶20. Limited, targeted investment incentives have long been a well-publicized tool of Dutch economic policy to facilitate economic restructuring and to promote energy conservation, regional development, environmental protection, R&D, and other national socio-economic

goals. Subsidies and incentives are available to foreign and domestic firms alike and are spelled out in detailed regulations. Subsidies are in the form of tax credits that are usually disbursed through corporate tax rebates or direct cash payments in the event of no tax liability.

¶21. Reflecting the European Union's limits on direct government support, the Regional Investment Projects Subsidies Scheme (BSRI), formerly IPR, is the only major investment incentive still available to investors. The BSRI aims to encourage corporate investment in parts of the country with a high unemployment rate by giving an investment grant for new investments (industrial buildings and fixed assets) or the acquisition of land. Investment costs qualifying for BSRI grants include costs incurred for the acquisition of land, necessary buildings and durable equipment. BSRI cash grants of up to 20 percent of actual investment costs are available up to a maximum of approximately $13 million per project. Sharply rising unemployment, a major criterion for Brussels approval of national investment subsidies, is likely to increase the significance of the BSRI as an investment-stimulating instrument.

¶22. Local investment subsidies are sometimes also available from regional development companies. Regional non-tax incentives are available in the form of cash grants, low-interest loans, local government participation and export guarantees for selected areas. The growing number of tax incentives offered to investors in other EU countries has prompted the government to look into the possibilities of expanding existing tax instruments to aggressively improve the Dutch tax climate vis--vis that in competitor countries like Belgium, Germany and Ireland. Right to

A.6. Right To Private Ownership and Establishment
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¶23. There are full rights of private ownership and establishment of business enterprises in the Netherlands, except in the monopoly sectors as noted in the introduction. Despite the fact that service providers must often meet stringent licensing requirements, numerous enterprises in the Netherlands are 100 percent owned by foreign firms, including many from the United States. Licenses are granted on the basis of competitive equality.

A.7. Protection of Property Rights

¶24. The Netherlands has a generally good set of legislation and regulations that protect intellectual property rights. However, the enforcement of anti-piracy laws remains a concern to producers of software and digital media (see below). The Netherlands belongs to the World Intellectual Property Organization (WIPO), is a signatory of the Paris Convention for the Protection of Industrial Property, and conforms to the accepted international practice for protection of technology and trademarks. The Dutch have been slow in implementing EU directives bringing domestic legislation in line with the WIPO 1996 Copyright Treaty (WCT), the WIPO performance and phonogram treaty (WPPT), and the EU 98/44/ec directive. There is an overall sense among policy makers to step up measures aimed at raising awareness of Intellectual Property Rights (IPR) rules and regulations and to strengthen enforcement.

¶25. Patents for foreign investors are granted retroactively to the date of original filing in the home country, provided the application is made through a Dutch patent lawyer within one year of the original filing date. Patents are valid for 20 years. Legal procedures exist for compulsory licensing if the patent is inadequately used after a period of three years, but these procedures have rarely been invoked. Since the Netherlands and the United States are both parties to the Patent Cooperation Treaty (PCT) of 1970, patent rights in the Netherlands may be obtained if PCT application is used. The Netherlands is a signatory of the European Patent Convention, which provides for a centralized Europe-wide patent protection system. This convention has simplified the process for obtaining patent protection in the Member States. Infringement proceedings remain within the jurisdiction of the national courts, which could result in divergent interpretations detrimental to US investors and exporters.

¶26. The enforcement of anti-piracy laws remains a concern to producers of software, audio and videotapes and textbooks from the United States. Organized optical disc software piracy and e-commerce piracy are

also of major concern to the Dutch. Annual losses to the US motion picture industry due to audiovisual piracy in the Netherlands have been estimated at tens of millions of dollars annually. The Dutch government has recognized the need to protect intellectual property rights and law enforcement personnel have worked with industry associations to find and seize pirated software. Dutch IPR legislation currently in place explicitly includes computer software as intellectual property under the copyright statutes.

A.8. Transparency of the Regulatory System

¶27. Laws and regulations that affect direct investment, such as environmental rules, health and safety regulations, etc., are non-discriminatory and apply equally to foreign and domestic firms. Dutch tax law facilitates attracting non-Dutch personnel to live and work in the Netherlands. Currently, expatriate staff transferred to the Netherlands on a temporary contract can make use of the 30 percent ruling. The ruling provides that 30 percent of his/her gross employment income in the Netherlands is not taxable under Dutch personal income tax laws. This treatment is granted for a maximum of ten years. Furthermore, the expatriate is considered a non-resident, meaning that only income from Dutch sources is taxed in the Netherlands.

¶28. Dutch corporations and branches of foreign corporations currently are subject to a corporate tax rate of 34.5 percent (profits of up to _ 22,689 ($24,000) are taxed at a rate of 29 percent) on taxable profits, which puts the Netherlands at the higher end of the corporate tax bracket in the European Union. Dutch corporate taxation generally allows for the exemption of dividends and capital gains derived from a foreign subsidiary (participation exemption). A survey by Baker & McKenzie into the corporate tax structure of EU Member States observed that both the corporate tax rate and the effective corporate tax rate (20.67 percent in the year 2001) are higher than the European average. Nevertheless, the Dutch corporate tax structure ranks among the most competitive in Europe. A further reduction of the corporate tax rate to 30 percent to bring the effective corporate rate closer to the EU average has therefore been proposed. No local Dutch income taxes are levied on corporations. Furthermore, the Netherlands maintains an extensive network of tax treaties with a large number of countries. A new tax treaty with the U.S. took effect on January 1, 1994.

A.9.Efficiency of Capital Markets and Portfolio
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Investment

¶29. Dutch financial markets are fully developed and operate at market rates, facilitating the free flow of financial resources. The Netherlands is an international financial center for the foreign exchange market and for eurobonds and bullion trade. The flexibility that foreign companies enjoy in conducting business in the Netherlands extends into the area of currency and foreign exchange. There are no restrictions on foreign investors' access to sources of local finance.

A.10.Political Violence

¶30. The Netherlands is noted for its stable political environment. In the highly consensus-oriented Dutch society, political violence is almost nonexistent. The Dutch economy derives much of its strength from a stable industrial climate fostered by partnership between unions, employers' organizations and the government. Strikes are rarely regarded as the primary means to settle labor disputes and labor strikes in recent decades have been very rare.

A.11. Corruption

¶31. New anti-bribery legislation, implementing the 1997 OECD anti-bribery convention, became effective in 2001. The new anti-bribery law reconciles the language of the OECD anti-bribery convention with the EU fraud directive and the Council of Europe convention on fraud. It makes corruption by Dutch businessmen in landing foreign contracts a penal offense, and bribes are no longer deductible for corporate tax purposes. At a national level, Dutch justice and interior ministries have taken steps to sharpen regulations to combat bribery in public procurement and in the issuance of permits and subsidies. This has led NGO Transparency International to rank the Netherlands number six among the least corrupted countries in the world after Canada, Austria, Switzerland, Sweden and

Australia

¶B. Bilateral Investment Agreements

¶32. The Netherlands has signed bilateral investment agreements with a large number of countries including: Albania, Argentina, Bangladesh, Belarus, Belize, Bolivia, Bosnia-Herzegovina, Brazil, Bulgaria, Burkina Faso, Cameroon, Cape Verde (Republic of), Chile, China, Costa Rica, Cuba, Croatia, Czech Republic, Ecuador, Egypt, El Salvador, Estonia, Ethiopia, Gambia, Georgia, Ghana, Guatemala, Honduras, Hong Kong, Hungary, India, Indonesia, Ivory Coast, Jamaica, Jordan, Kazakhstan, Kenya, Korea (Republic of), Kuwait, Laos, Latvia, Lebanon, Lithuania, Macedonia, Malaysia, Malta, Mexico, Moldova (Republic of), Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Romania, Russian Federation, Senegal, Singapore, Slovenia, Slovak Republic, South Africa, Sri Lanka, Sudan, Tajikistan, Tanzania, Thailand, Tunisia, Turkey, Uganda, Ukraine, Uruguay, Uzbekistan, Venezuela, Vietnam, Yemen, Yugoslavia, Zambia, and Zimbabwe.

¶33. The Netherlands adheres to the OECD codes on capital movements and invisible transactions, with the exceptions mentioned earlier. It maintains a treaty of friendship, commerce and navigation with the United States that generally provides for national treatment and free entry for foreign investors, with certain exceptions. The Netherlands is also a member of the EU single market.

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¶C. OPIC and Other Investment Insurance Programs
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¶34. Dutch companies investing in developing countries through the establishment of subsidiaries or joint ventures can insure their investment against non-commercial risks with the privately-owned Netherlands Credit Insurance Company (NCM) under the 1969 investment reinsurance act (WHI). The NCM reinsures its political risks with the Ministry of Finance. Dutch investors have not heavily utilized this insurance program, however, and efforts are underway to find ways of making the program more effective.

¶35. According to Article 7b of the investment reinsurance act (WHI) of 1969, reinsurance of investment in LDC's (Less Developed Countries) can be provided only if a satisfactory agreement has been reached with the recipient country regarding regulations that will apply to Dutch investment in that country. The act covers procedures that will be followed in the case of a dispute between the investor and the host country on recovery of indemnity resulting from the insurance of the investment. A temporary program (Thrio) covering the insurance of investment in all Eastern and Central European countries, with the exception of the former Yugoslavia and the Asian republics of the Commonwealth of Independent States (CIS) was introduced in 1991. In 1997, the WHI and Thrio programs were merged with similar programs for developing countries into the Investment Reinsurance Arrangement (IRA). Investment in countries with which the Netherlands has concluded a bilateral investment treaty is eligible for coverage under the IRA. The Netherlands is a member of the Multilateral Investment Guarantee Agency (MIGA).

¶D. Labor

¶36. The Dutch workforce is largely well educated and multilingual. As a result of the current economic downturn, employment growth has been decelerating which has resulted in a steep increase in the level of unemployment. With an unemployment rate of 5.4 percent in June of 2003 (up from 3.7 percent in May of 2002), the official unemployment rate is climbing but remains well below the EU average. Stagnating employment growth and a growing number of layoffs are expected to raise the average unemployment rate to more than five percent of the labor force in 2003, and to well over six percent, and closer to the EU-15 average, in 2004. Because of unfavorable labor market developments, the Dutch government is giving the highest priority to reducing structural unemployment, particularly long-term unemployment, while boosting job creation.

¶37. The Netherlands currently has the highest part-time work rate in the OECD, which has contributed to greater labor market flexibility. A substantial increase in the participation of women in the workforce led the

share of part-time workers in the total working population to increase to more than 40 percent. Labor market participation, especially by elderly workers, is slowly but gradually growing from a low of sixty percent in the early 1990s to more than 70 percent of the potential labor pool in 2004. The high part-time employment rate and low labor market participation are the main factors contributing to less than full utilization of labor potential. Increasing labor market participation is regarded as a critical to ensure continued economic growth and to cope with the impact of a rapidly graying population.

¶38. The Dutch government's job creation policy is focused on the following elements: reducing the general burden of taxes and social security contributions, moderating growth in wage levels, improving productivity, and strengthening the economic structure. In addition, the Dutch government has taken measures to improve labor market flexibility. This combination of greater (but not full) labor market flexibility, consensual wage restraint, and lowering of the tax burden and social security contributions is seen as the key to economic recovery.

¶39. Workers may be found through government-operated labor exchanges, a rapidly growing number of private employment firms, or directly through, for example, newspaper advertisements. The official average workweek currently is 38 hours, but work-shortening programs (ADV) effectively reduce the average workweek to 36 hours. Cutting average working hours is often used to create jobs or avoid layoffs. Recently concluded wage contracts include provisions for a 36-hour workweek. Also, the American business community in the Netherlands has given cautious approval to efforts to split the average 38-hour working week over four instead of five days, and treat Saturday as a normal working day. This would help ease the country's traffic-choked roads and allow companies to better utilize their machinery. On the other hand, new legislation has been adopted which will increase the flexibility in the operating hours of companies and shops.

¶40. The average contract wage increase in 2002 was close to four percent compared to an increase of approximately five percent in 2001. Counting on the impact of a slowdown in the economy and sharply rising unemployment to moderate wage demands, official estimates optimistically expect the negotiated contract wage rise in 2003 to stay just below three. Labor contracts for the year 2003 and 2004 concluded so far provide for an average contract wage rise of 2.4 percent. The average per unit wage costs increase in 2003 is forecast to decelerate to a level below an average 4.6 percent wage cost increase in 2002. Surveys of average annual labor costs, base pay plus employers' social security costs, mandatory benefits and voluntary benefits, across the European Union rank the Netherlands ninth after countries such as the UK, Germany, France, Sweden and Denmark.

¶41. Benchmark reports by the European Industry Federation UNICE observe that, despite relatively high wage costs, the Netherlands has one of the highest levels of labor productivity in the manufacturing industry. In order to reduce the gap between productivity and wage costs the Dutch government has significantly reduced employers' costs for workers who earn minimum wage or slightly above. It has also called on organizations of employers and workers to create jobs at the lowest end of the wage scale. Currently, the lowest wage established by collective labor agreements (CAO's) is about eight percent higher than the statutory minimum wage ($1,413 per month in 2002).

¶42. Labor/management relations in both the public and private sectors are generally good in a system that emphasizes the concept of social partnership. Although wage bargaining in the Netherlands is increasingly decentralized, there still exists a central bargaining apparatus where labor contract guidelines are established. About 75 percent of all Dutch workers are covered by union contracts that are negotiated on a by-sector basis with employers associations and, if accepted by the government, are extended by law to the entire sector. Some sector labor contracts (e.g., road transport and haulage) are relatively inexpensive, while others (e.g., metal) are more costly. To avoid surprises, potential investors are advised to consult with local trade unions to determine which, if any, labor contracts apply to workers in their business sector prior to making an investment decision. Collective bargaining agreements negotiated in the past few years have, by and large, been accepted by the rank

and file without much protest, despite only moderate wage rises, and days lost to strikes are relatively low.

¶43. The Dutch have always had an economy that derives its strength from free trade and a stable industrial climate fostered by partnership between unions, employers' organizations and the government. There is substantial labor involvement in corporate decision-making on matters affecting workers. Each company in the Netherlands with at least 50 workers is required by law to institute a Works-Council with which management must consult on a range of issues including investment decisions. Legislation implementing the EU work council directive came into effect in March of ¶1998. The Dutch government in 2003 agreed on legislation governing employee participation of European companies (companies operating in at least two EU member states). Under this legislation, company founders and its workers must conclude an agreement on employee participation. Trade unions and management are generally receptive to foreign investment, especially where this leads to improved employment possibilities and related benefits. U.S. companies generally perceive works councils as contributing to management-worker relations and a benefit to the company.

¶E. Foreign Trade Zones/Free Ports

¶44. The Netherlands has no free trade zones or free ports in the sense of territorial enclaves where commodities can be processed or reprocessed tax-free. There are, however, a large number of customs warehouses (EU category a through e, but no category a and f or "free zones") and free warehouses at designated places and international airports where goods in transit may be temporarily stored under customs supervision. Goods may be repacked, sorted or relabeled.

¶F. Foreign Direct Investment Statistics

¶45. Statistics on the level of FDI in the Netherlands (by country of origin and industry sector), and comparable data covering the stock of Dutch FDI abroad, are compiled by the Netherlands Central Bank (NB) on an ad hoc basis (http://www.dnb.nl). The NB's FDI inflows are based on sources of capital transactions rather than on actual "by country" investment outlays.

¶46. The FDI to GDP ratio in the Netherlands continues to be among the highest in the European Union. The NB's FDI statistics reveal that the total stock of FDI in the Netherlands amounted to $350 billion, equal 74 percent of GDP, at the end of 2002. Sharing in the global foreign direct investment slowdown, total FDI inflows into the Netherlands in 2002 were almost halved (down 45.7 percent) to seven percent of GDP, from well over 13 percent in 2001.

¶47. FDI from the U.S. in 2002 fell sharply to $ 7 billion, from $ 24.8 billion in 2001. The NB's FDI statistics also show that reduced inflows of direct investment and lower capital movements by non-bank financial enterprises lowered the stock of U.S. direct investment in the Netherlands to $74 billion, equal 16 percent of GDP, in 2002 ($145.7 billion according to U.S. Department of Commerce statistics). This ranks the United States as the largest supplier of direct investment in the Netherlands.

¶48. According to FDI statistics based on actual investment outlays by country of origin during the period 1987 through 2002, the Netherlands Foreign Investment Agency (NFIA) was actively involved in the establishment of close to 700 U.S. investment projects with a total value of more than $5 billion. The total volume and value of direct investment projects for the whole of 2002 is estimated to be somewhat higher than the official number because the Netherlands has no compulsory registration of foreign investment, and also because there is a considerable amount of regional investment acquisition.

¶49. Foreign companies established in the Netherlands account for roughly one-third of industrial production and employment in industry. At the end of 2002, about 25 percent of foreign establishments in the Netherlands were of U.S. origin, 51 percent from the European Union, 10 percent from other European countries, four percent Japanese and the remaining 12 percent from non-OECD and non-EU countries.

¶50. The Netherlands is regarded as one of the most attractive countries for setting up European headquarters (EHQ's), call centers, shared services centers (SSCs), and European distribution centers (EDC's). Of all foreign headquarters established in Europe, close to 60 percent are located in the Netherlands. An estimated 25 percent of SSCs in Europe have chosen to come to the Netherlands. According to the UK Data Monitor, the Netherlands currently also has close to one thousand call centers within its borders, many of which are located in the capital of Amsterdam.

¶51. Amsterdam has also developed into the continent's biggest data-communications infrastructure junction and ICT center. U.S. ICT companies including Cisco Systems and MCI World Com have chosen to build their data centers close to Amsterdam's fiber optic high-speed data lines and its Gigaport broadband network. A similar data-communications infrastructure junction and ICT cluster, linking the Netherlands with the North of Europe, has been established by U.S. company Tycom in the city of Groningen in the north of the Netherlands.

¶52. The Dutch also lead Europe in attracting distribution centers. An estimated 42 percent of U.S. multinational companies have established a European distribution center in the Netherlands. U.S. companies investing in the Netherlands have also been expanding robustly in the micro-electronics field and value-added logistics.

¶53. According to the Netherlands Foreign Investment Agency, computer manufacturers in particular are looking to northern Europe to establish an assembly, maintenance and distribution centers. Packard Bell is successfully operating a distribution center in the city of Nijmegen, province of Gelderland, employing 500 workers. Technology wholesaler, Ingram Micro, established a multi-million dollar regional distribution center in the province of Limburg. Other large U.S. electronics firms with establishments in the Netherlands are AT&T, Rank Xerox, IBM,and Honeywell.

¶54. Abott Laboratories, manufacturer of infant formula and medical nutritional food, has chosen the province of Noord-Brabant as the place to invest $ 51 million in a European distribution center. Abott Labs will be following in the footsteps of Amgen Europe BV, leading manufacturer of bio-pharmaceuticals, that has been operating a European Logistical center in Noord-Brabant since 1989.

¶55. In the chemical sector, Lyondell Chemical Nederland Ltd. is currently investing an estimated $1 billion in a joint project with Bayer aimed at expanding Propylene Oxide (PO)and Tertiary Butyl Alcohol production capacity in the Port of Rotterdam Botlek area.

¶56. The top fifteen U.S. investors in the Netherlands, based on the number of employees (by company investment outlays are protected) include Alcoa Europe Holding BV, IBM Nederland NV, Sara Lee/DE NV, Dow Benelux NV, Du Pont De Nemours Nederland BV, General Electric Plastics Europe BV, Philip Morris Holland BV, Compaq Computer BV, Cargill BV, Honeywell BV, Masterfoods Veghel BV, Merck, Sharp & Dohme BV, Esso Nederland BV, Eastman Chemical Europe BV, and Cisco Systems International BV.

Russel